

Northwest Iowa Area
Solid Waste Agency

FINANCIAL REPORT

June 30, 2013

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Northwest Iowa Area Solid Waste Agency
Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Les Brommer	Chairman	City of Sioux Center
Jerry Johnson	Vice-Chairman	City of Sibley
Arlyn Kleinwolterink	Executive Board Member	Sioux County
Scott Maggert	Executive Board Member	City of Matlock
Tom Farnsworth	Executive Board Member	O'Brien County
Brad Meendering	Executive Board Member	City of Hartley
Brad Hindt	Executive Board Member	City of Sheldon
Leroy De Boer	Executive Board Member	Osceola County
Arlyn Pedley	Executive Board Member	City of Ocheyedan
Cathy Adkins	Executive Board Member	City of Everly
Mark Behrens	Executive Board Member	Lyon County
Dennis Thielvoldt	Executive Board Member	City of Alvord
Bob Gerber	Executive Board Member	City of Lester
Gary Horton	Executive Board Member	City of Akron
Dale Oltmans	Board Member	City of Alton
Ken Hoogendoorn	Board Member	City of Boyden
Mark Weyen	Board Member	City of Chatsworth
Kay Koob	Board Member	City of Granville
Tom Kane	Board Member	City of Hawarden
John Solsma	Board Member	City of Hospers
Rod Te Krony	Board Member	City of Hull
Jordan Richardson	Board Member	City of Ireton
Virgil Van Schepen	Board Member	City of Maurice
Bryan Gerritson	Board Member	City of Orange City
Dale Kooima	Board Member	City of Rock Valley
Brian Frangenberg	Board Member	City of Archer
Dana Rehder	Board Member	City of Calumet
Justin Stamer	Board Member	City of Paullina
Kurt Edwards	Board Member	City of Primghar
Randy Lyman	Board Member	City of Sanborn
Liz Peters	Board Member	City of Sutherland
William Honkomp	Board Member	City of Ashton
Phil Hibma	Board Member	City of Harris
Gary Benz	Board Member	City of Melvin
Allen Hockett	Board Member	City of Dickens
Aaron Rutter	Board Member	City of Postoria
City of Gillett Grove	Board Member	City of Gillett Grove
Casey Lawson	Board Member	City of Greenville
Jacquie Kehoe	Board Member	City of Peterson
Bonnie Trosin	Board Member	City of Rossie
Tabitha Howe	Board Member	City of Royal
Brad Greene	Board Member	City of Webb
Marlo De Jager	Board Member	City of Doon
Russ Hopp	Board Member	City of George
Dan Moen	Board Member	City of Inwood
Dean Snyders	Board Member	City of Larchwood
Rod Borer	Board Member	City of Little Rock
Marlene Bowers	Board Member	City of Rock Rapids

Northwest Iowa Area Solid Waste Agency
Officials - continued

Dennis Wright	Alternate Board Member	Sioux County
Ron Minten	Alternate Board Member	City of Alton
Roger Nelson	Alternate Board Member	City of Boyden
Robin Falde	Alternate Board Member	City of Chatsworth
Dennis Friedmann	Alternate Board Member	City of Granville
Larry Bauder	Alternate Board Member	City of Hawarden
Aaron Kooiker	Alternate Board Member	City of Hull
Thad Finzen	Alternate Board Member	City of Ireton
Jim Meendering	Alternate Board Member	City of Matlock
Bill Korver	Alternate Board Member	City of Maurice
Duane Feekes	Alternate Board Member	City of Orange City
Tom Van Maanen	Alternate Board Member	City of Rock Valley
Murray Hulstein	Alternate Board Member	City of Sioux Center
Nancy McDowell	Alternate Board Member	O'Brien County
Bill Engeltjes	Alternate Board Member	City of Archer
Sarah Riedemann	Alternate Board Member	City of Calumet
Mike Boeve	Alternate Board Member	City of Hartley
Kevin Tesch	Alternate Board Member	City of Paullina
Glen Schueller	Alternate Board Member	City of Primghar
Jim Zeutenhorst	Alternate Board Member	City of Sanborn
Todd Uhl	Alternate Board Member	City of Sheldon
Steve Koch	Alternate Board Member	City of Sutherland
Phil Bootsma	Alternate Board Member	Osceola County
Dennis Hatting	Alternate Board Member	City of Ashton
Amy Muftah	Alternate Board Member	City of Harris
Lee Dau	Alternate Board Member	City of Melvin
Gene Turner	Alternate Board Member	City of Ocheyedan
Dan Janssen	Alternate Board Member	City of Sibley
Steve Simmons	Alternate Board Member	City of Dickens
Bud Meyer	Alternate Board Member	City of Everly
Gary Findley	Alternate Board Member	City of Gillett Grove
Don Scott	Alternate Board Member	City of Greenville
Rick Delutri	Alternate Board Member	City of Peterson
David Yungbluth	Alternate Board Member	City of Rossie
Monica Kelly	Alternate Board Member	City of Royal
Heather Baier	Alternate Board Member	City of Webb
Kirk Peters	Alternate Board Member	Lyon County
Mark Nagel	Alternate Board Member	City of Alvord
Brian Denekas	Alternate Board Member	City of Doon
Kary Conaway	Alternate Board Member	City of George
Kyle Knobloch	Alternate Board Member	City of Inwood
Sandi DeSmet	Alternate Board Member	City of Larchwood
Daniel Gerber	Alternate Board Member	City of Lester
Cody Hoefert	Alternate Board Member	City of Rock Rapids
Harold Higman Jr.	Alternate Board Member	City of Akron
Larry Oldenkamp	Manager	

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northwest Iowa Area Solid Waste Agency
Sheldon, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Northwest Iowa Area Solid Waste Agency (an intergovernmental organization) as of and for the years ended June 30, 2013 and 2012, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northwest Iowa Area Solid Waste Agency as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 6 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 30, 2013 on our consideration of the Northwest Iowa Area Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Northwest Iowa Area Solid Waste Agency's internal control over financial reporting and compliance.

K.F. Murphy Co., P.C.

K.F. MURPHY COMPANY, P.C.

Sheldon, Iowa
July 30, 2013

Northwest Iowa Area Solid Waste Agency
MANAGEMENT'S DISCUSSION AND ANALYSIS

Northwest Iowa Area Solid Waste Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Agency's operating revenues increased 6%, or \$87,366, from fiscal 2012 to fiscal 2013. Gate fee income increased due to an increase in rate and tonnage.

The Agency's operating expenses were 24%, or \$367,301 more in fiscal 2013 than in fiscal 2012. This is primarily due to an increase in closure and postclosure costs as a result of a change in estimate.

The Agency's net position decreased less than 7%, or \$289,805 from June 30, 2012 to June 30, 2013.

The Agency also implemented a 25% increase in the tonnage rate effective in July 2013.

USING THIS ANNUAL REPORT

Northwest Iowa Area Solid Waste Agency is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Northwest Iowa Area Solid Waste Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Position presents information on the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Agency's operating revenues and expenses, non-operating revenues and expenses, and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency financed its activities and how it met its cash requirements.

Northwest Iowa Area Solid Waste Agency
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Agency's financial position. The Agency's net position for fiscal year 2013 totals approximately \$3,945,000. This compares to approximately \$4,234,000 for fiscal year 2012. A summary of the Agency's net position is presented below.

Net Position		
	June 30,	
	2013	2012
Current assets	\$ 3,030,143	\$ 2,960,301
Restricted assets	1,665,084	1,565,793
Capital assets at cost, less accumulated depreciation	<u>1,468,058</u>	<u>1,162,949</u>
Total assets	<u>6,163,285</u>	<u>5,689,043</u>
Current liabilities	398,942	99,114
Noncurrent liabilities	<u>1,819,825</u>	<u>1,355,606</u>
Total liabilities	<u>2,218,767</u>	<u>1,454,720</u>
Net position:		
Invested in capital assets, net of related debt	1,468,058	1,162,949
Restricted	1,665,084	1,565,793
Unrestricted	<u>811,376</u>	<u>1,505,581</u>
Total net position	<u>\$ 3,944,518</u>	<u>\$ 4,234,323</u>

The unrestricted portion (21%) may be used to meet the Agency's obligations as they come due. The Agency's restricted net position (42%) are restricted for closure and postclosure care and for tonnage fees due to the State of Iowa. State and federal laws and regulations require the Agency to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The invested in capital assets (eg. land, buildings and equipment) (37%) are resources allocated to capital assets.

Northwest Iowa Area Solid Waste Agency
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest, farm and grant income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the year ended June 30, 2013 and 2012 is presented below:

Changes in Net Position		
	Year ended June 30,	
	2013	2012
Operating revenue:		
Gate fees	\$ 1,318,462	\$ 1,176,130
Recycling fees	200,277	258,304
Household hazardous material fees	13,939	10,878
Total operating revenue	1,532,678	1,445,312
Operating expenses:		
Salaries and employee benefits	517,343	526,041
Directors' fees and meetings	3,548	3,481
Gas, oil and grease	122,517	162,993
Telephone and utilities	15,405	13,715
Office, shop supplies and tools	6,034	4,280
Repairs and maintenance	80,554	63,861
Payroll taxes	30,611	31,127
Insurance	63,572	57,871
Professional fees	34,395	6,345
Depreciation	157,544	158,789
Advertising	1,725	921
Bad debt expense	-	249
Miscellaneous	434	387
Custodial expense	1,560	1,500
Education and training	2,920	3,930
Gravel	14,810	7,187
Engineering, hydrological studies and water sampling	86,246	63,521
Permits and fees	700	-
Solid waste fee	196,849	192,707
Leachate disposal expense	3,031	10,811
Appliance and tire disposal fees	64,448	34,006
Closure and postclosure costs	464,219	157,310
Total operating expenses	1,868,465	1,501,164
Operating (loss)	(335,787)	(55,852)
Non-operating revenues:		
Interest income	34,450	37,574
Net farm income	11,532	2,931
Total non-operating revenue	45,982	40,505
(Decrease) in net position	(289,805)	(15,347)
Net position beginning of year	4,234,323	4,249,670
Net position end of year	<u>\$ 3,944,518</u>	<u>\$ 4,234,323</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects a negative year with a decrease in the net position at the end of the fiscal year.

Northwest Iowa Area Solid Waste Agency
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

In fiscal year 2013, operating revenues increased by \$87,366, or 6%, primarily a result of an increase in gate fees. Operating expenses increased by \$367,301, or 24%. The increase was primarily a result of an increase in closure and postclosure costs.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposits, Iowa Investment Trust Fund, and interest income.

Capital Assets

At June 30, 2013, the Agency had \$1,468,058 invested in capital assets, net of accumulated depreciation of \$2,622,669. Depreciation charges totaled \$157,544 for fiscal year 2013. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

Economic Factors

Northwest Iowa Area Solid Waste Agency slightly diminished its financial position during the current fiscal year. In addition, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

Facilities at the Agency require constant maintenance and upkeep.

Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.

Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Northwest Iowa Area Solid Waste Agency, 4540 360th Street, Sheldon, Iowa.

Northwest Iowa Area Solid Waste Agency Statements of Net Position

See notes to financial statements.

		June 30,	
		2013	2012
LIABILITIES & FUND EQUITY			
CURRENT LIABILITIES			
Accounts payable		\$ 326,348	\$ 29,605
Solid waste tax payable		55,453	54,146
Accrued payroll expenses		1,412	934
Accrued property taxes		938	938
Compensated absences		14,791	13,491
Total current liabilities		<u>398,942</u>	<u>99,114</u>
NONCURRENT LIABILITIES			
Estimated liability for landfill closure and postclosure costs		<u>1,819,825</u>	<u>1,355,606</u>
Total noncurrent liabilities		<u>1,819,825</u>	<u>1,355,606</u>
Total liabilities		<u>2,218,767</u>	<u>1,454,720</u>
NET POSITION			
Invested in capital assets, net of related debt		1,468,058	1,162,949
Reserved for			
Tonnage fees retained		56,818	51,595
Closure and postclosure care costs		1,608,266	1,514,198
Unreserved		811,376	1,505,581
Total net position		<u>3,944,518</u>	<u>4,234,323</u>
Totals		<u>\$ 6,163,285</u>	<u>\$ 5,689,043</u>

Northwest Iowa Area Solid Waste Agency
Statements of Revenue, Expenses and Changes in Net Position

	June 30,	
	2013	2012
REVENUE		
Gate fees	\$ 1,318,462	\$ 1,176,130
Recycling fees	200,277	258,304
Household hazardous material fees	13,939	10,878
Total revenue	<u>\$1,532,678</u>	<u>\$1,445,312</u>
OPERATING EXPENSES		
Salaries and wages	406,486	413,800
Directors and meetings	3,548	3,613
Gas, oil and grease	122,517	162,993
Telephone and utilities	15,405	13,715
Office supplies and services	6,034	4,280
Repairs and maintenance	80,554	63,861
Payroll taxes	30,611	31,127
Pension expense	34,494	32,401
Insurance	63,572	57,871
Employee benefits	76,363	79,840
Professional fees	34,395	6,345
Depreciation	157,544	158,789
Advertising	1,725	921
Bad debt expense	-	249
Miscellaneous	434	387
Custodial expense	1,560	1,500
Education and training	2,920	3,930
Gravel	14,810	7,187
Engineering and hydrological study	73,087	42,160
Water sample expense	13,159	21,361
Permits and fees	700	-
Iowa Department of Natural Resources tonnage fee	196,849	192,707
Appliance disposal fees	7,663	6,635
Leachate disposal expense	3,031	10,811
HHM expense	41,462	18,518
HHM education and advertising	2,684	63
Tire disposal fees	12,639	8,790
Closure and postclosure care costs	464,219	157,310
Total operating expenses	<u>1,868,465</u>	<u>1,501,164</u>
Operating income	(335,787)	(55,852)
NON-OPERATING REVENUE		
Interest income	34,450	37,574
Farm income, net of expenses 2013 \$2,369; 2012 \$5,574	11,532	2,931
Total non-operating revenue	<u>45,982</u>	<u>40,505</u>
Net income	(289,805)	(15,347)
Net position beginning of year	<u>4,234,323</u>	<u>4,249,670</u>
Net position end of year	<u>\$ 3,944,518</u>	<u>\$ 4,234,323</u>

See notes to financial statements.

Northwest Iowa Area Solid Waste Agency
Statements of Cash Flows

	June 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,230,684	\$1,177,387
Cash paid to suppliers and employees	(749,500)	(1,017,585)
Cash received from farming	13,901	8,505
Cash paid relating to farming	(2,369)	(5,574)
Cash received from solid waste tax	86,494	84,674
Net cash provided by operating activities	<u>579,210</u>	<u>247,407</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(462,653)	(290,233)
Net cash (used in) capital and related financing activities	<u>(462,653)</u>	<u>(290,233)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Iowa Investment Trust Fund	(91,101)	(91,170)
Proceeds from Iowa Investment Trust Fund	-	315,584
Purchase of Certificates of Deposit	(44,270)	(267,666)
Interest received	35,038	39,877
Net cash (used in) investing activities	<u>(100,333)</u>	<u>(3,375)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,224	(46,201)
CASH AND CASH EQUIVALENTS		
Beginning	<u>504,878</u>	<u>551,079</u>
Ending	<u><u>\$ 521,102</u></u>	<u><u>\$ 504,878</u></u>

See notes to financial statements.

Northwest Iowa Area Solid Waste Agency
Statements of Cash Flows (continued)

	June 30,	
	2013	2012
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEETS		
Per balance sheets		
General fund, cash and cash equivalents	\$ 464,284	\$ 453,283
Restricted fund, cash and cash equivalents	56,818	51,595
Total per statement of cash flows	<u>\$ 521,102</u>	<u>\$ 504,878</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating income	<u>\$ (335,787)</u>	<u>\$ (55,852)</u>
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation	157,544	158,789
Closure and postclosure costs	464,219	157,310
Component of operating income reclassified		
for purposes of reporting cash flows:		
Farm income, net	11,532	2,931
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	(18,651)	9,456
Decrease (increase) in prepaid insurance	525	(3,264)
Increase (decrease) in solid waste tax payable	1,307	(941)
Increase (decrease) in accounts payable	296,743	(22,958)
Increase in accrued payroll expenses	478	934
Increase in accrued property taxes	-	52
Increase in compensated absences	1,300	950
Total adjustments	<u>914,997</u>	<u>303,259</u>
Net cash provided by operating activities	<u>\$ 579,210</u>	<u>\$ 247,407</u>

See notes to financial statements.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Northwest Iowa Area Solid Waste Agency is an intergovernmental organization organized under the provisions of Chapter 28E of the laws of the State of Iowa for the purpose of providing for the economic disposal and recycling of solid waste generated within each member municipality located in a five county area. Admission to the Agency is on a voluntary basis, with new members being approved by the existing Board of Directors. The Agency also provides disposal services to private contractors. The Agency, being an intergovernmental organization, is exempt from income taxes.

For financial reporting purposes, the Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The Northwest Iowa Area Solid Waste Agency has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Northwest Iowa Area Solid Waste Agency are organized as an enterprise fund. Enterprise funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in conjunction with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities, and Net Investments

The following accounting policies are followed in preparing the Statement of Net Position:

Cash Equivalents - The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2013 and 2012, include certificates of deposit of \$1,327,270 and \$1,377,068, respectively.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets - Funds set aside for payment of closure and postclosure costs are classified as restricted.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the useful lives of the assets. Buildings and lease improvements are amortized over twenty-five years and equipment is depreciated over a five to seven year life.

The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Buildings and improvements	\$ 1,000
Equipment and vehicles	\$ 500

Capital assets of the Agency are depreciated using the straight line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated useful Lives (In Years)</u>
Buildings	15-25
Building improvements	7-10
Equipment and vehicles	5-7
Landfill cell development	Landfill capacity used

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2013 or 2012.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The Agency's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2013 and 2012.

NOTE 2 CASH AND INVESTMENTS

The Agency's deposits at June 30, 2013 and 2012 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency's investments at June 30, 2013 and 2012 were as follows:

	<u>Carrying Amount</u>	<u>Market Amount</u>
2013 Iowa Investment Trust	<u>\$ 1,047,125</u>	<u>\$ 1,047,125</u>
2012 Iowa Investment Trust	<u>\$ 956,024</u>	<u>\$ 956,024</u>

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment is summarized by major classification as follows:

	Balance <u>6/30/2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2013</u>
Construction in progress	\$ -	\$ 305,978	\$ -	\$ 305,978
Land	183,046	-	-	183,046
Land improvements	533,070	27,319		560,389
Equipment	2,066,927	128,260		2,195,187
Buildings	810,569	540		811,109
Office equipment	<u>34,462</u>	<u>556</u>		<u>35,018</u>
	3,628,074	462,653	-	4,090,727
Less accumulated depreciation	<u>(2,465,125)</u>	<u>(157,544)</u>		<u>(2,622,669)</u>
Totals	\$1,162,949	\$ 305,109	\$ -	\$1,468,058

NOTE 4 PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the Agency is required to contribute 8.67% of covered salary. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$34,494, \$32,401 and \$26,830, respectively, equal to the required contributions for each year.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 5 RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. July 1, 1990, the Agency joined together with local government agencies in the State to form Iowa Community Assurance Pool (ICAP), a public entity risk pool currently operating as a common risk management and insurance program. The Agency pays an annual premium to ICAP for its general insurance coverage. The agreement for formation of ICAP provides that ICAP will be self-sustaining through member premiums and will reinsure through commercial companies for claims on excess of \$250,000 for each insured event.

The Agency continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 MAJOR CUSTOMERS

For the period ending June 30, 2013 and 2012, three customers accounted for 40% and 34% of total operating revenue.

<u>Name</u>	<u>2013</u>		<u>2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Orange City Sanitation, Inc.	\$174,920	13%	\$164,472	11%
Brommer Truck Line	256,309	19%	216,433	15%
Town & Country, Inc.	109,847	8%	111,571	8%

NOTE 7 RELATED PARTIES

The Agency collects gate fees in the normal course of business from solid waste carriers who also serve on the Agency's Board. Following is a summary:

<u>Name and Title</u>	<u>Description</u>	<u>2013</u>	<u>2012</u>
Les Brommer - Sioux County Representative, Executive Board Owner of Brommer Truck Line			
	Gate & Solid Waste Fees	\$256,309	216,433
	Accounts Receivable	26,636	20,336
William Honkomp, Ashton Representative, Full Board			
	Gate & Solid Waste Fees	\$ 26,952	25,938
	Accounts Receivable	2,200	2,580

NOTE 8 CLOSURE AND POSTCLOSURE CARE COSTS

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect on the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 8 CLOSURE AND POSTCLOSURE COSTS (continued)

Governmental Accounting Standards Board Statement No. 18, requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for the Northwest Iowa Area Solid Waste Agency have been estimated at \$3,033,042 as of June 30, 2013 and the portion of the liability that has been recognized is \$1,819,825. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2013. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 26 years and the capacity used at June 30, 2013 is approximately 60 percent.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has begun to accumulate resources to fund these costs and at June 30, 2013, assets of \$1,608,266 are restricted for these purposes. They are reported as restricted assets and restricted net position on the Statements of Net Position.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund mechanism and the government guarantee. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

The fund is dedicated by local government statute as a reserve fund.

Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.

Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number of years remaining in the pay-in period

Chapter 567-113.14(6)(a) of the IAC allows the agency to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the landfill is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

Chapter 567-113.14(6)(h) of the IAC allows a landfill to choose the local government guarantee to demonstrate financial assurance. The guarantee must be a written guarantee jointly provided by the members of the 28E organization. Chapter 567-113.14(6)(f) of the IAC allows a landfill to utilize the local government financial test to demonstrate financial assurance.

Northwest Iowa Area Solid Waste Agency
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 9 SOLID WASTE TONNAGE FEES RETAINED

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2013, the unspent amount retained by the Agency and restricted for required purposes totaled \$56,818.

NOTE 10 LITIGATION

The Agency is currently in litigation with the Iowa Attorney General, which alleges the Agency has violated various provisions of Iowa Code Chapter 455B by disposing of solid waste in areas within the landfill that were not permitted to accept the waste at the time of disposal. The Attorney General is seeking two million dollars in penalties from the Agency and the Court will determine the exact amount of any penalties if the matter goes to trial. The Agency is currently negotiating with the Attorney General for an acceptable resolution of the dispute but it is too soon in the case to speculate as to the probable outcome.

NOTE 11 SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through December 2, 2013, the date which the financial statements were available to be issued.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Members of Northwest
Iowa Area Solid Waste Agency:

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Northwest Iowa Area Solid Waste Agency as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, and have issued our report thereon dated July 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Northwest Iowa Area Solid Waste Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Northwest Iowa Area Solid Waste Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northwest Iowa Area Solid Waste Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Northwest Iowa Area Solid Waste Agency's financial statements will not be prevented or detected and corrected on a timely basis. We do not consider the deficiencies in the Northwest Iowa Area Solid Waste Agency's internal control described in the accompanying Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northwest Iowa Area Solid Waste Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Northwest Iowa Area Solid Waste Agency's Responses to Findings

The Northwest Iowa Area Solid Waste Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Northwest Iowa Area Solid Waste Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Northwest Iowa Area Solid Waste Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

K. F. Murphy Co. P.C.

K.F. MURPHY COMPANY, P.C.

Sheldon, Iowa
July 30, 2013

NORTHWEST IOWA AREA SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2013

Findings Related to the Financial Statements:

Significant Deficiency:

- A. Segregation of Duties - An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the preparation of checks, reconciling of the bank statement, and execution of general ledger functions were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - Due to the limited number of office employees, segregation of duties is very difficult. However, the manager reviews receipts, postings, and payroll on a test basis.

Conclusion - Response accepted.

Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Current year statutory comments are as follows:

1. Official Depositories - A resolution naming official depositories has been adopted by the Agency. We noted no instances of non-compliance with the amounts noted.
2. Questionable Expenses - We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of money for travel expenses of spouses of Agency officials or employees were noted.
4. Board Minutes - No transactions were found that we believe should have been approved in the Agency minutes but were not.
5. Deposits and Investments - The Agency has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. We noted no instances of non-compliance with the policy.
6. Solid Waste Fees Retainage - During the year ended June 30, 2013, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
7. Financial Assurance - The Agency has fully demonstrated financial assurance for closure and postclosure care costs as required by Chapter 113 of the Iowa Administrative Code. The Agency has shown financial assurance by establishing a dedicated fund and funding it in accordance with GASB 18 funding rules. The Agency also has a local government guarantee and local government financial test in place for any unfunded amounts.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

K.F. MURPHY COMPANY, P.C.

Sheldon, Iowa
July 30, 2013